

PX 98

Message

From: Chris Larsen [REDACTED]@ripple.com]
Sent: 11/13/2016 2:54:52 PM
To: Patrick Griffin [Patrick Griffin <[REDACTED]@ripple.com>]
CC: Brad Garlinghouse [Brad Garlinghouse <[REDACTED]@ripple.com>]; [REDACTED]
Subject: Re: XRP Distribution Proposal

Plan looks good enough to present [REDACTED] Nice work!

Chris

Chris Larsen | CEO
 Ripple, Inc.
 [REDACTED]@ripple.com | www.ripple.com

On Nov 13, 2016, at 14:44, Patrick Griffin <[REDACTED]@ripple.com> wrote:

responses in line

On Sun, Nov 13, 2016 at 2:24 PM, Chris Larsen [REDACTED]@ripple.com> wrote:

A few questions:

1) what do you mean about [REDACTED] options being a replacement for programmatic sales? How would you deliver [REDACTED] if they exercised and wanted to sell right away?

(1) They are restricted to only sell [REDACTED] of daily market volume. If they sell OTC, the same restrictions apply to the buyer. So, there is not a likely scenario where we will need to come up with [REDACTED] XRP. (2) If they are exercising their option, they are paying Ripple [REDACTED] per XRP, which we would count as revenue against XRP. If [REDACTED] of the [REDACTED] target for 2017 comes from the [REDACTED] option, it will mean Ripple will actively sell [REDACTED] and replace the delta with proceeds from [REDACTED]

2) please confirm that you can sell OTC for the portions that are in Suspended Payments contracts. We do this today. For example, some of our OTC contracts contain a [REDACTED] lock up (I believe [REDACTED] has a contract along these lines). We can contractually commit to the same structure for OTC, set against a discount, of course.

3) are the annual caps also dictated by a smart contract - i.e. Only [REDACTED] is unlocked at any one time? Yes. Every year [REDACTED] XRP are released, for [REDACTED] starting Jan 1, 2017. At the start of the [REDACTED] the remaining [REDACTED] are unlocked. The [REDACTED] allocation would not be put into a smart contract.

4) what about donations Ripple might make - same as an OTC transaction? Yes (likely no charity wants to take delivery, anyway).

5) when would this be announced publicly?

We will announce the plan before the end of the year. Date is TBD. The first target report would be made at the start of Jan 2017.

Thanks!
 Chris

Chris Larsen | CEO

Ripple, Inc.

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On Nov 12, 2016, at 19:46, Patrick Griffin <[\[REDACTED\]@ripple.com](mailto:[REDACTED]@ripple.com)> wrote:

Chris, Brad:

In preparation for our negotiations with [REDACTED] next week, we will need to have alignment from you on the main deal consideration: a more predictable distribution of XRP. While [REDACTED] is the impetus for these considerations, the underlying premise--that a more predictable distribution of XRP is needed to attract institutional investors to XRP--is applicable to all investors and users of XRP.

Please approve the following proposal:

- **Length:** [REDACTED] plan
- **Total available to Ripple Inc.:** [REDACTED] XRP
- **Annual caps:** [REDACTED] XRP per year
- **Enforcement by escrow:** Suspended Payments (smart contract available in RCL next month). At the end of [REDACTED] the remaining [REDACTED] of our holdings are unlocked.
- **Allocation:** [REDACTED] XRP will be set aside for [REDACTED]. This allocation will be announced.
- **Reporting:** Announce the lock-ups and provide a quarterly target every quarter starting Jan 2016. Thereafter, a review of the past-quarter performance against target will complement each new quarterly target announcement. Monica has been briefed and is on board with this approach.
- **Standardized terms:** OTC rate cards, BD deal terms, and liquidity incentive terms will be fixed and published.
- **Discretionary:** Programmatic sales.

Rationale for the above:

- Breakdown of [REDACTED] XRP per year (directional only, not prescriptive):
 - Programmatic and OTC Sales [REDACTED] XRP
 - Liquidity Incentive - [REDACTED] XRP
 - BD deals - None. Assumes XRP-related partnerships will shift to liquidity incentives & [REDACTED]
 - [REDACTED] Option - None. Replacement for Ripple Inc.'s programmatic sales.
- Plenty of buffer: The model behind the [REDACTED] XRP assumes [REDACTED] price and [REDACTED] more cash than the 2017 plan requires.
- XRP sales growth: While YoY growth is expected to grow [REDACTED] in 2017 [REDACTED] XRP), our model assumes [REDACTED] growth in 2018 and '19 because:
 1. Current XRP price of [REDACTED] accommodates [REDACTED] growth of additional XRP. Modest price appreciation gives us plenty of room to grow, if needed.
 2. As non-XRP revenues grow, dependency on XRP should come down.

Perhaps the biggest mitigating factor is that we can continue to sell XRP OTC even when it is locked up (i.e., as a forward contract, etc.). In fact, we already do this today. Considering that OTC sales are about [REDACTED] of our XRP sales, and considering that the impetus for the controlled distribution plan is to drive more OTC sales, the overall risk of the proposal can be managed.

For context, between OTC and programmatic sales, liquidity incentive deals, and BD deals in 2016, Ripple Inc. is expected to spend [REDACTED] KRP. This proposal gives us [REDACTED] KRP more a year and a dedication allocation of [REDACTED] KRP for [REDACTED]

Please let me know if you have any questions. Brad, I'd be happy to walk you through a more detailed rationale which I've laid out here.

Patrick

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